$PICC_{MOU}$ = the common line portion of maximum allowable Presubscribed Interexchange Carrier charge rates multiplied by base period lines, and divided by the sum of all types of base period Carrier Common Line minutes of use, and

g = the ratio of minutes of use per access line during the base period to minutes of use per access line during the previous base period, minus 1.

(2) The formula set forth in paragraph (d)(1) of this section shall be used by a local exchange carrier subject to price cap regulation only if that carrier is imposing a per-minute carrier common line charge pursuant to § 69.154 of this chapter. Otherwise, adjustments to local exchange carrier APIs for the basket designated in § 61.42(d)(1) shall be made pursuant to the formula set forth in paragraph (a) of this section.

(e) (1) In addition, for the purposes of paragraph (d) of this section, "Existing Carrier Common Line Rates" shall include existing originating premium, originating non-premium, terminating premium and terminating non-premium rates; and "End User Common Line Rates" used to calculate the CL_{MOU} and the $EUCL_{MOU}$ factors shall include, but not be limited to, Residential and Single Line Business rates, Centrex rates, and the Special Access surcharge.

(2) For purposes of paragraph (d) of this section, "each existing Presubscribed Interexchange Carrier Charge" shall include all the charges specified in § 69.153 of this chapter.

(f) The "1/(1 ÷ (g/2))" component of the CCL_{MOU} formula contained in paragraph (d) shall be employed only in the adjustment made in connection with the annual price cap filing.

(g) The calculation of the API for the basket designated in § 61.42(d)(3) shall include any residual interconnection charge revenues recovered pursuant to §§ 69.153 and 69.155 of this chapter

(h) The calculation of the API for the basket designated in § 61.42(d)(6) shall include any marketing expense revenues recovered pursuant to §§ 69.153 and 69.156 of this chapter.

§ 61.47 Adjustments to the SBI; pricing bands.

(a) In connection with any price cap tariff filing proposing changes in the rates of service categories or subcategories, the carrier must calculate an SBI value for each affected service category or subcategory pursuant to the following methodology:

$SBI_t = SBI_{t-1}[\Sigma_i v_i(p_t/p_{t-1})i]$

where

SBI_t = the proposed SBI value,

SBI_{t-1} = the existing SBI value,

p_t = the proposed price for rate element "i,"

p_{t-1} = the existing price for rate element "i,"

and

v_i = the current estimated revenue weight for rate element "i," calculated as the ratio of the base period demand for rate element "i" priced at the existing rate, to the base period demand for the entire group of rate elements comprising the service category priced at existing rates.

(b) New services that are added to existing service categories or subcategories must be included in the appropriate SBI calculations under paragraph (a) of this section beginning at the first annual price cap tariff filing following completion of the base period in which they are introduced. This index adjustment requires that the demand for the new service during the base period must be included in determining the weights used in calculating the SBI.

(c) In the event that the introduction of a new service requires the creation of a new service category or subcategory, a new SBI must be established for that service category or subcategory beginning at the first annual price cap tariff filing following completion of the base period in which the new service is introduced. The new SBI should be initialized at a value of 100, corresponding to the service category rates in effect the last day of the base period, and thereafter should be adjusted as provided in paragraph (a) of this section.

(d) Any price cap tariff filing proposing rate restructuring shall require an adjustment to the affected SBI pursuant to the general methodology described in paragraph (a) of this section. This adjustment requires the conversion of existing rates in the rate element group into rates of equivalent value under the proposed structure, and then the comparison of the existing rates that have been converted to reflect restructuring to the proposed restructured rates. This calculation may require use of carrier data and estimation techniques to assign customers of the preexisting service to those services (including the new restructured service) that will remain or become available after restructuring.

(e) Pricing bands shall be established each tariff year for each service category and subcategory within a basket. Except as provided in paragraphs (f), (g), and (h) of this section, each band shall limit the pricing flexibility of the service category or subcategory, as reflected in the SBI, to an annual increase of five percent, relative to the percentage change in the PCI for that basket, measured from the levels in effect on the last day of the preceding tariff year. For local exchange carriers subject to price caps as that term is defined in § 61.3(x), there shall be no lower pricing band for any service category or subcategory.

(f) *Dominant interexchange carriers.*

(1) The upper pricing bands for the evening MTS and night/weekend MTS service categories shall limit the annual upward pricing flexibility for those service categories, as reflected in their SBIs, to four percent, relative to the percentage change in the PCI for the residential and small business services basket, measured from the last day of the preceding tariff year.

(2) Dominant interexchange carriers subject to price cap regulation shall calculate a composite average rate for services contained in the residential and small business services basket that are purchased by residential customers. Notwithstanding paragraph (f)(1) of this section, the annual upward pricing flexibility for this composite average rate shall be limited to one percent, relative to the percentage change in the PCI for the residential and small business services basket, measured from the last day of the preceding tariff year.

(g) *Local Exchange Carriers -- Service Categories and Subcategories.*

(1) Local exchange carriers subject to price cap regulation as that term is defined in § 61.3(x) shall use the methodology set forth in paragraphs (a) through (d) of this section to calculate two separate subindexes: One for the DS1 services offered by such carriers and the other for the DS3 services offered by such carriers. The annual pricing flexibility for each of these two subindexes shall be limited to an annual increase of five percent, relative to the percentage change in the PCI for the special access services basket, measured from the last day of the preceding tariff year. There shall be no lower pricing band for these two subindexes.

(2) The upper pricing band for the tandem-switched transport service category shall limit the annual upward pricing flexibility for this service category, as reflected in its SBI, to two percent, relative to the percentage change in the PCI for the trunking basket, measured from the levels in effect on the last day of the preceding tariff year. There shall be no lower pricing band for the tandem-switched transport service category.

(3) The upper pricing band for the interconnection charge service category shall limit the annual upward pricing flexibility for this service category, as reflected in its SBI, to zero percent, relative to the percentage change in the PCI for the trunking basket, measured from the levels in effect on the last day of the preceding tariff year. There shall be no lower pricing band for the interconnection charge.

(4) Local exchange carriers subject to price cap regulation as that term is defined in § 61.3(x) shall use the methodology set forth in paragraphs (a) through (d) of this section to calculate a separate subindex for the 800 data base vertical features offered by such carriers. The annual pricing flexibility for this subindex shall be limited to an annual increase of five percent, relative to the percentage change in the PCI for the traffic sensitive basket, measured from the last day of the preceding tariff year. There shall be no lower pricing band for this subindex.

(5) The upper pricing band for the "Signalling for tandem switching" service category shall limit the upward pricing flexibility for this service category, as reflected in its SBI, to two percent, relative to the percentage change in the PCI for the trunking basket, measured from the levels in effect on the last day of the preceding tariff year. There shall be no lower pricing band for this service category.

(6) **[Removed and Reserved]**

(7) The initial level of the local switch trunk ports service category designated in § 61.42(e)(1)(v) shall be established to include those costs identified pursuant to § 69.106(f)(1) of this chapter. This level shall be assigned a value of 100, and thereafter must be adjusted as provided in paragraph (a) of this section, subject to the banding restrictions of paragraph (e) of this section.

(h) *Local exchange carriers -- density pricing zones.*

(1) In addition to the requirements of paragraphs (g)(1) and (g)(2) of this section, those local exchange carriers subject to price cap regulation that have established density pricing zones pursuant to § 69.123 of this chapter shall use the methodology set forth in paragraphs (a) through (d) of this section to calculate separate subindexes in each zone for each of the following groups of services:

(i) DS1 entrance facilities, DS1 direct-trunked transport, DS1 dedicated signalling transport, and DS1 special access services;

(ii) DS3 entrance facilities, DS3 direct-trunked transport, DS3 dedicated signalling transport, and DS3 special access services;

(iii) voice grade entrance facilities, voice grade direct-trunked transport, and voice grade dedicated signalling transport, and (if the Commission, by order, designates such services as subject to competition) voice grade special access;

(iv) tandem-switched transport; and

(v) such other special access services that the Commission may designate by order.

(2) The annual pricing flexibility for each of the subindexes specified in paragraph (h)(1) of this section shall be limited to an annual increase of five percent, relative to the percentage change in the PCI for the trunking basket, measured from the levels in effect on the last day of the preceding tariff year. There shall be no lower pricing band for these subindexes.

(3) **[Added; redesignated as (h)(2)]**

(i) **[Redesignated as (g)(4)]**

(i) (1) Through December 31, 1997, notwithstanding the requirements of paragraph (a) of this section, and subject to the limitations of § 61.45(j), if a local exchange carrier is recovering interconnection charge revenues through per-minute rates pursuant to § 69.124 or § 69.155 of this chapter, any reductions to the PCI for the basket designated in § 61.42(d)(3) resulting from the application of the provisions of § 61.45 (b) and the formula in § 61.44(b) and from the application of provision of § 61.45(i)(1) shall be directed to the SBI of the service category designated in § 61.42(e)(2)(vi).

(2) Effective January 1, 1998, notwithstanding the requirements of paragraph (a) of this section and subject to the limitations of § 61.45(j), if a local exchange carrier is recovering interconnection charge revenues through per-minute rates pursuant to § 69.155 of this chapter, any reductions to the PCI for the basket designated in § 61.42(d)(3) resulting from the application of the provisions of § 61.45(b), and the formula in § 61.44(b) and from the application of the provisions of § 61.45(i)(1), and (i)(2) shall be directed to the SBI of the service category designated in § 61.42(e)(2)(vi).

(3) Through December 31, 1997, the SBI reduction required by paragraph (i)(1) of this section shall be determined by dividing the sum of the dollar amount of any PCI reduction required by § 61.45(i)(1) by the dollar amount associated with the SBI for the service category designated in

§ 61.42(e)(2)(vi), and multiplying the SBI for the service category designated in § 61.42(e)(2)(vi) by one minus the resulting ratio.

(4) Effective January 1, 1998, the SBI reduction required by paragraph (i)(2) of this section shall be determined by dividing the sum of the dollar amount of any PCI reduction required by § 61.45(i)(1) and (i)(2), by the dollar amount associated with the SBI for the service category designated in § 61.42(e)(2)(vi), and multiplying the SBI for the service category designated in § 61.42(e)(2)(vi) by one minus the resulting ratio.

<u>(5) Effective January 1, 2000, notwithstanding the requirements of paragraph (a) of this chapter and subject to the limitations of § 61.45(i), if a local exchange carrier is recovering an Average Traffic Sensitive Charge greater than the respective Target Rates of $0.0055 or $0.0065, any reductions to the PCI for the Traffic Sensitive or Trunking baskets designated in §§ 61.42(d)(2) and (3) resulting from the application of the provisions of § 61.45(b), and the formula in § 61.45(c) and from the application of the provisions of §§ 61.45(i)(1), and (i)(2) shall be directed to the SBIs of the service categories designated in §§ 61.42(e)(1) and (2).</u>

(j) The calculation of the SBI for the service category designated in § 61.42(e)(2)(vi) shall include any residual interconnection charge revenues recovered pursuant to §§ 69.153 and 69.155 of this chapter.

§ 61.48 Transition rules for price cap formula calculations.

(a) Dominant interexchange carriers subject to price cap regulation shall file initial price cap tariffs May 17, 1989, to be effective July 1, 1989.

(b) (1) In connection with the initial price cap tariff filing described in paragraph (a) of this section, each PCI, API, and SBI shall be assigned an initial value prior to adjustment of 100, corresponding to the costs and rates in effect as of December 31, 1988.

(2) The PCI and API for offerings under § 61.42(b)(3) shall be assigned a value equal to 100, corresponding to rates in effect as of August 1, 1991. Dominant interexchange carriers subject to price cap regulation shall file new business basket index levels with the first business basket tariff transmittal that is filed subsequent to the effective date of this rule.

(c) Local exchange carriers subject to price cap regulation shall file initial price cap tariffs not later than November 1, 1990, to be effective January 1, 1991.

(d) (1) In connection with the initial price cap filing described in paragraph (c) of this section, each PCI, API, and SBI shall be assigned an initial value prior to adjustment of 100, corresponding to the costs and rates in effect as of July 1, 1990.

(2) Carriers electing price cap regulation under § 61.41(a)(3) of this part in a year after 1991 shall file initial price cap tariffs not later than April 2 of the year of election, to be effective on July 1 of the year of election. Each PCI, API, and SBI shall be assigned an initial value prior to adjustment of 100, corresponding to the costs and rates in effect as of January 1 of the year of election.

(e) In connection with the initial price cap filing described in paragraph (c) of this section, initial PCI calculations shall be made without adjustment for any changes in inflation or productivity. Annual price cap filings incorporating the full values of the GNP-PI and productivity offsets will commence April 2, 1991, with a scheduled effective date of July 1, 1991.

(f) Local exchange carriers specified in § 61.41(a)(2) or (3) shall, in their initial price cap filings described in paragraph (c) of this section, adjust their PCIs through use of an exogenous cost factor to account for the represcription of the rate of return, effective January 1, 1991.

(g) Local Transport Restructure -- Initial Rates. Local exchange carriers subject to price cap regulation shall set initial transport rates, as defined in § 69.2(tt) of this chapter, according to the requirements set forth in §§ 69.108, 69.110, 69.111, 69.112, 69.124, and 69.125 of this chapter.

(h) Local Transport Restructure -- Price Cap Transition Rules.

(1) Definitions. The following definitions apply for purposes of paragraph (h) of this section:

"Effective date" is March 4, 1994.

"Initial restructured rates" are rates that are (or should have been) effective on the transport restructure date; and

"Revenue weight" of a given group of services included in a basket, service category, or subcategory is the ratio of base period demand for the given service rate elements included in the basket, service category, or subcategory priced at initial restructured rates, to the base period demand for the entire group of rate elements comprising the basket, service category, or subcategory priced at initial restructured rates.

"Transport restructure date" is the date on which local exchange carriers' initial transport rates, as defined in § 69.2(tt) of this chapter, became effective;

(2) Trunking Basket PCI and API.

(i) On the effective date, the PCI value for the trunking basket, as defined in § 61.42(d)(3), shall be computed by multiplying the API value for the special access basket on the day preceding the transport restructure date, by a weighted average of the following:

(A) The ratio of the PCI value that applied to the special access basket on the day preceding the transport restructure date, to the API value that applied to the special access basket on the day preceding the transport restructure date, weighted by the revenue weight of the special access services included in the trunking basket; and

(B) The ratio of the PCI value that applied to the traffic sensitive basket on the day preceding the transport restructure date, to the API value that applied to the traffic sensitive basket on the day preceding the transport restructure date, weighted by the revenue weight of the transport services included in the trunking basket.

(ii) On the effective date, the API value for the trunking basket referred to in § 61.42(e)(2) shall be equal to the API value for the special access basket on the day preceding the transport restructure date.

(3) Service Category and Subcategory Pricing Bands for Flat-Rated Transport and Special Access. From the effective date through the end of the tariff year, the following shall govern instead of §§ 61.47(e) and 61.47(g)(1). The pricing bands established for the voice grade and high capacity service categories referred to in §§ 61.42(e)(2)(i) and 61.42(e)(2)(iii), and the DS1 and DS3 service subcategories referred to in §§ 61.42(e)(2)(iii)(A) and 61.42(e)(2)(iii)(B), shall limit the pricing flexibility of the service category or subcategory, as reflected in its SBI, as follows:

(i) The upper pricing band shall be a weighted average of the following:

(A) The upper pricing band that applied to the special access services included in the category or subcategory on the day preceding the transport restructure date, weighted by the revenue weight of the special access services included in the category or subcategory; and

(B) 1.05 times the SBI value for the special access services included in the category or subcategory on the day preceding the transport restructure date, weighted by the revenue weight of the transport services included in the category or subcategory.

(ii) The lower pricing band shall be a weighted average of the following:

(4) Tandem-Switched Transport and Interconnection Charge SBIs. On the effective date, the SBIs for the tandem-switched transport and interconnection charge service categories defined in § 61.42(e)(2)(v) and (vi) shall be assigned an initial value prior to adjustment of 100, corresponding to the initial restructured rates in those categories.

(5) Tandem-Switched Transport and Interconnection Charge Service Category Pricing Bands. From the effective date through the end of the tariff year, the following shall govern instead of § 61.47(g)(2) and (g)(3):

(i) The upper pricing band for the tandem-switched transport service category shall limit the upward pricing flexibility for this service category, as reflected in its SBI, to two percent, measured from the initial restructured rates for tandem-switched transport. The lower pricing band for the tandem-switched transport service category shall limit the downward pricing flexibility for this service category, as reflected in its SBI, to ten percent, measured from the initial restructured rates for tandem-switched transport.

(ii) The upper pricing band for the interconnection charge service category shall limit the upward pricing flexibility for this service category, as reflected in its SBI, to zero percent, measured from the initial restructured rate for the interconnection charge.

(i) Transport and Special Access Density Pricing Zone Transition Rules.

(1) Definitions. The following definitions apply for purposes of this paragraph (i):

"Special access zone date" is the date on which a local exchange carrier tariff establishing divergent special access rates in different zones, as described in § 69.123(c) of this chapter, becomes effective.

"Transport zone date" is the date on which a local exchange carrier tariff establishing divergent switched transport rates in different zones, as described in § 69.123(d) of this chapter, becomes effective.

"Earlier date" is the earlier of the special access zone date and the transport zone date.

§ 69.152 End user common line for price cap local exchange carriers.

(a) A charge that is expressed in dollars and cents per line per month shall be assessed upon end users that subscribe to local exchange telephone service or Centrex service to the extent they do not pay carrier common line charges. A charge that is expressed in dollars and cents per line per month shall be assessed upon providers of public telephones. Such charge shall be assessed for each line between the premises of an end user, or public telephone location, and a Class 5 office that is or may be used for local exchange service transmissions.

~~(b) Except as provided in paragraphs (d) through (i) of this section, the maximum single line rate or charge shall be computed:~~

~~(1) By dividing one-twelfth of the projected annual revenue requirement for the End User Common Line element by the projected average number of local exchange service subscriber lines in use during such annual period, only so long as a per-minute carrier common line charge is assessed or the maximum PICC assessed on primary residential lines, plus the maximum end user common line charge for primary residential lines, does not recover the full amount of its per-line common line price cap revenues.~~

~~(2) By dividing one-twelfth of the projected annual revenues permitted for the common line basket under the Commission's price cap rules, as set forth in Part 61 of this chapter, by the projected average number of local exchange service subscriber lines in use during such annual period, if no per-minute carrier common line charge is assessed and the maximum PICC assessed on primary residential lines, plus the maximum end user common line charge for primary residential lines, recovers the full amount of its per-line common line price cap revenues.~~

~~(3) Provided, however, that the charge for each local exchange service subscriber line shall not exceed $9.00 as adjusted by the inflation factor computed under paragraph (k) of this section.~~

(b) [Removed and Reserved.]

(c) The charge for each subscriber line associated with a public telephone shall be equal to the monthly charge computed in accordance with paragraph (k ~~b)~~ of this section.

(d) ~~(1) Through December 31, 1997, the monthly charge for each primary residential or single line business local exchange service subscriber line shall be the charge computed in accordance with paragraph (b) of this section, or $3.50, whichever is lower.~~ Except as provided in paragraphs (q), the maximum single line rate.

(1~~2~~) Beginning January 1, ~~1998~~2000, the maximum monthly charge for each primary residential or single line business local exchange service subscriber line shall be the ~~charge computed in accordance with paragraph (b) of this section, or $3.50, whichever is lower.~~ lesser of the Average Price Cap CMT Revenue Per Line as defined in § 61.3(d) or

(i) On January 1, 2000, $5.50

(ii) On January 1, 2001, $6.25

(iii) On July 1, 2002 $6.75,

(iv) On July 1, 2003, $7.00

(2) In the event that GDP-PI exceeds 6.5% or is less than 0%, the caps as well as the rates will have to be adjusted pursuant to § 61.45(b)(2).

(e) (1) ~~Through December 31, 1997~~Beginning January 1, 2000, the monthly charge for each non-primary residential local exchange service subscriber line shall be the ~~maximum averaged End User Line Charge for non-primary residential lines in a given entity will be the~~ lesser of:

(i) $7.00 or

(ii) the greater of:

(A) The rate as of December 31, 1999 less amounts of End User Common Line charge reduction needed to ensure over recovery of CMT Revenues does not occur, or

(B) Average Price Cap CMT Revenue Per Line.

(2) In the event that GDP-PI is greater than 6.5% or is less than 0%, the caps as well as the rates in paragraph (1) above will have to be adjusted pursuant to § 61.45 b(2).

~~(2) Beginning January 1, 1998, the maximum monthly charge for each non-primary residential local exchange service subscriber line shall be the lower of:~~

~~(i) The maximum charge computed in accordance with paragraph (b) of this section; or~~

~~(ii) $5.00. On January 1, 1999, this amount shall be adjusted by the inflation factor computed under paragraph (k) of this section, and increased by $1.00. On July 1, 2000, and in each subsequent year, this amount shall be adjusted by the inflation factor computed under paragraph (k) of this section, and increased by $1.00.~~

(3) Where the local exchange carrier provides a residential line to another carrier so that the other carrier may resell that residential line to a residence that already receives a primary residential line, the local exchange carrier may collect the non-primary residential charge described in paragraph (e) of this section from the other carrier.

(f) Except as provided in paragraphs (n) and (o) of this section, the charge for each primary residential local exchange service subscriber line shall be the same as the charge for each single line business local exchange service subscriber line.

(g) A line shall be deemed to be a residential subscriber line if the subscriber pays a rate for such line that is described as a residential rate in the local exchange service tariff.

(h) **[Reserved]**

(i) A line shall be deemed to be a single line business subscriber line if the subscriber pays a rate that is not described as a residential rate in the local exchange service tariff and does not obtain more than one such line from a particular telephone company.

(j) No charge shall be assessed for any WATS access line.

(k) (1) Beginning on January 1, 2000, and in the absence of voluntary reductions, the averaged End User Common Line Charge for multiline business lines in a given entity that has not deaveraged End User Common Line charges will be the lesser of:

(i) $9.20 or

(ii) the greater of:

(A) the rate as of December 31, 1999, less amounts of End User Common Line charge reductions to ensure over recovery of CMT Revenues does not occur, or

(B) Average Price Cap CMT Per Line as defined in § 61.3(d).

Except when the incumbent LEC reduces the rate through voluntary reductions, the averaged multiline business End User Common Line charge initially will be frozen until the entity's multiline business PICC and CCL are eliminated.

(2) In the event that GDP-PI is greater than 6.5% or is less than 0%, the caps as well as the rates in paragraph (1) above will have to be adjusted pursuant to § 61.45 b(2).

~~(k) (1) On January 1, 1999:~~

~~(i) The ceiling for multi-line business subscriber under paragraph (b)(3) of this section will be adjusted to reflect inflation as measured by the change in GDP-PI for the 18 months ending September 30, 1998.~~

~~(ii) The ceiling for non-primary residential subscriber lines under paragraph (e)(2)(ii) of this section will be adjusted to reflect inflation as measured by the change in GDP-PI for the 12 months ending September 30, 1998.~~

~~(2) On July 1, 2000, the ceiling for multi-line business subscriber lines and non-primary residential subscriber lines will be adjusted to reflect inflation as measured by the change in GDP-PI for the 18 months ending on March 31, 2000.~~

~~(3) On July 1 of each subsequent year, the ceiling for multi-line business subscriber lines and non-primary residential subscriber lines will be adjusted to reflect inflation as measured by the change in GDP-PI for the 12 months ending on March 31 of the year the adjustment is made.~~

(l) (1) Beginning January 1, 1998, local exchange carriers shall assess no more than one end user common line charge as calculated under the applicable method under paragraph (e) of this section for Basic Rate Interface integrated services digital network (ISDN) service.

(2) Local exchange carriers shall assess no more than five end user common line charges as calculated under paragraph (b) of this section for Primary Rate Interface ISDN service.

(m) In the event the local exchange carrier charges less than the maximum end user common line charge for any subscriber lines, the local exchange carrier may not recover the difference between the amount collected and the maximum from carrier common line charges or PICCs.

(n) Through December 31, 1997, the End User Common Line charge for a residential subscriber shall be 50% of the charge specified in paragraphs (b) and (d) of this section if the residential local exchange service rate for such subscribers is reduced by an equivalent amount, provided that such local exchange service rate reduction is based upon a means test that is subject to verification.

(o) Paragraphs (o)(1) and (o)(2) of this section are effective through December 31, 1997.

(1) The End User Common Line charge for residential subscribers shall be reduced to the extent of the state assistance as calculated in paragraph (o)(2) of this section, or waived in full if the state assistance equals or exceeds the residential End User Common Line charge under the circumstances described in this paragraph. In order to qualify for this waiver, the subscriber must be eligible for and receive assistance or benefits provided pursuant to a narrowly targeted telephone company lifeline assistance program, requiring verification of eligibility, implemented by the state or local telephone company. A state or local telephone company wishing to implement this End User Common Line reduction or waiver for its subscribers shall file information with the Commission Secretary demonstrating that its plan meets the criteria set out in this section and showing the amount of state assistance per subscriber as described in paragraph (o)(2) of this section. The reduction or waiver of the End User Common Line charge shall be available as soon as the Commission certifies that the state or local telephone plan satisfies the criteria set out in this paragraph and the relevant tariff provisions become effective.

(2) (i) The state assistance per subscriber shall be equal to the difference between the charges to be paid by the participating subscribers and those to be paid by other subscribers for comparable monthly local exchange service, service connections and customer deposits, except that benefits or assistance for connection charges and deposit requirements may only be counted once annually. In order to be included in calculating the state assistance, such benefits must be a single telephone line to the household's principal residence.

(ii) The monthly state assistance per participating subscriber shall be calculated by adding the amounts calculated in paragraphs (o)(2)(ii)(A) and (o)(2)(ii)(B) of this section.

(A) The amount of the monthly state assistance per participating subscriber for local exchange service shall be calculated by dividing the annual difference between charges paid by all participating subscribers for residential local exchange service and the amount which would have been charged to non-qualifying subscribers for comparable service by twelve times the number of subscribers participating in the state assistance program. Estimates may be used when historic data are not available.

(B) The amount of the monthly state assistance for service connections and customer deposits per participating subscriber shall be calculated by determining the annual amount of the reductions in these charges for participating subscribers each year and dividing this amount by twelve times the number of participating subscribers. Estimates may be used when historic data are not available.

(p) Through December 31, 1997, in connection with the filing of access tariffs pursuant to § 69.3(a), telephone companies shall calculate for the association their projected revenue requirement attributable to the operation of § 69.104 (n) through (o). The projected amount will be adjusted by the association to reflect the actual lifeline assistance benefits paid in the previous period. If the actual benefits exceeded the projected amount for that period, the differential will be added to the projection for the ensuing period. If the actual benefits were less than the projected amount for that period, the differential will be subtracted from the projection for the ensuing period. Through December 31, 1997, the association shall so adjust amounts to the Lifeline Assistance revenue requirement, bill and collect such amounts from interexchange carriers pursuant to § 69.117 and distribute the funds to qualifying telephone companies pursuant to § 69.603(d).

(q) **End User Common Line De-Averaging.** Beginning on January 1, 2000, ILECs may geographically deaverage End User Common Line charges subject to the following conditions:

(1) In order for an ILEC to be allowed to de-average End User Common Line charges within a study area, the ILEC must have state Commission approved geographically deaveraged rates for UNE Loops within that study area. Except where an incumbent LEC geographically deaverages through voluntary reductions, before an ILEC may geographically deaverage its End User Common Line rates, its Originating and Terminating CCL and Multiline Business PICC rates must equal $0.00.

(2) All geographic deaveraging of End User Common Line charge by customer class within a study area must be according to the state commission-approved unbundled network element loop zone. An ILEC can maintain up to four zones, however, the zones must cover the same geographic areas as state Commission approved Unbundled Network Elements loop zones. In study areas where there are more than 4 UNE zones, such Zones must be collapsed into a maximum of 4 zones, which will be determined at the ILEC's discretion.

(3) Within a given zone, Multiline Business End User Common line rates cannot fall below Primary Residence, Single Line Business or Non-Primary charges. Non Primary End User Common Line charges cannot fall below Primary Residence, Single Line Business charges.

(4) For any given class of customer in any given zone, the Zone de-averaged End User Common Line Charge in that zone must be greater than or equal to the Zone de-averaged End User Common Line charge in the zone with the next lower Zone Average Revenue Per Line.

(5)

Alternative 1 – Filing Entity[1]

The sum of revenues per month that would be generated from all deaveraged End User Common Line charges in all End User Common Line charge deaveraging zones within a filing entity plus revenues per month from all End User Common Line, multiline business PICC and CCL charges from study areas within that filing entity that do not have geographically deaveraged End User Common Line charges plus the sum of all Study Area Access USF Support (as defined in § 54.813(7)) in all study areas within the filing entity, divided by the number of lines cannot exceed Average Price Cap CMT Revenue Per Line as defined in § 61.3(d) for the filing entity.

Alternative 2 – Study Area and Filing Entity[2]

The sum of all revenues per month that would be generated from all deaveraged End User Common Line charges in all zones within a study area plus Study Area Access USF Support (as defined in § 54.813(7)) for that study area divided by the number of lines in that study area cannot exceed Average Price Cap CMT Revenue Per Line as defined in § 61.3(d) for that study area. In addition, the sum of revenues per month that would be generated from all deaveraged End User Common Line charges in all End User Common Line charge deaveraging zones within a filing entity plus revenues per month from all End User Common Line charge, multiline business PICC and CCL charges from study areas within that filing entity that have not geographically deaveraged End User Common Line charges plus the sum of all Study Area Access USF Support (as defined in § 54.813(7)) in all study areas within the filing entity, divided by the number of lines cannot exceed Average Price Cap CMT Revenue Per Line as defined in § 61.3(d) for the filing entity.

(6) **Maximum Charge.** The maximum zone deaveraged End User Common Line Charge that may be charged in any zone is the lesser of the highest Zone Average Revenue Per Line within the study area, or the cap as of January 1, 2000 or the Current Cap for that designated period. Zone Average Revenue Per Line is the Price Cap CMT Revenue per Line allocated to a particular state-defined zone used for

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[1] Parties do not agree as to the method for the safeguard against revenues from deaveraged End User Common Line charges exceeding the revenues that would be permitted for averaged End User Common Line charge. Alternative 1 would implement a requirement to be applied only at the filing entity level. Appendix A at 2.1.5.5.

[2] Parties do not agree as to the method for the safeguard against revenues from deaveraged End User Common Line charges exceeding the revenues that would be permitted for averaged End User Common Line charges. Alternative 2 would implement a requirement to be applied at both the filing and study area levels. Appendix A at 2.1.5.5.

deaveraging of UNE loop prices. The zone average revenue per line is computed pursuant to 61.3 (ss).

(7) **Minimum Charge.** Except where an incumbent LEC deaverages through voluntary reductions, the minimum Zone de-averaged End User Common Line Charge in any zone in any area is the lowest Zone Average Revenue per Line for any zone in that study area.[3]

(8) **Voluntary Reductions.** A "Voluntary Reduction" is one in which the ILEC reduces prices other than through offset of net increases in End User Common Line charge revenues or study area USF support received pursuant to §§ 54.810 and 54.813, or through increases in other zone deaveraged End User Common Line charges.

§ 69.153 Multi-Line business presubscribed interexchange carrier charge (PICC).

(a) A charge expressed in dollars and cents per line may be assessed upon the Multi-Line business subscriber's presubscribed interexchange carrier to recover revenues totaling Averaged Price Cap CMT Revenues Per Line times the number of base period lines less revenues ~~the common line revenues permitted under the price cap rules in part 61 of this chapter that cannot be~~ recovered through the end user common line charge established under § 69.152, up to a maximum of $4.00 per line per month. ~~residual interconnection charge revenues, and certain marketing expenses described in § 69.156(a).~~ In the event the ceilings on the PICC prevent the PICC from recovering all the residual common line, residual interconnection charge revenues, and marketing expenses, the PICC shall recover all residual common line revenues before it recovers residual interconnection charge revenues, and all residual interconnection charge revenues before it recovers marketing expenses.

(b) If an end-user customer does not have a presubscribed interexchange carrier, the local exchange carrier may collect the PICC directly from the end user.

~~(c) The PICC for primary residential subscriber lines and single-line business subscriber shall be the lower of:~~

~~(1) One twelfth of the sum of projected annual common line revenues and residual interconnection charge revenues permitted under our price cap rules divided by the projected average number of local exchange service subscriber lines in use during such annual period, minus the maximum subscriber line charge calculated pursuant § 69.152(d)(2); or~~

~~(2) $0.53. On July 1, 1999, this amount shall be adjusted by the inflation factor computed under paragraph (e) of this section, and increased by $0.50. On July 1, 2000, and in each subsequent year, this amount shall be adjusted by the inflation factor computed under paragraph (e), and increased by $0.50~~.

(c) **[Removed and Reserved.]**

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[3] The parties do not agree as to whether the Minimum Charge should also be adjusted to reflect a portion of those Study Area Above Cap Revenues not offset by Study Area Universal Service Support. Appendix A at 2.1.5.6.3.

~~(d) To the extent that a local exchange carrier cannot recover its full common line revenues, residual interconnection charge revenues, and those marketing expense revenues described in § 69.156(a) permitted under price cap regulation through the recovery mechanisms established in §§ 69.152, 69.153(c), and 69.156(b) and (c), the local exchange carrier may assess a PICC on multi-line business subscriber lines and non-primary residential subscriber lines.~~

~~(1) The maximum monthly PICC for non-primary residential subscriber lines shall be the lower of:~~

~~(i) One twelfth of the projected annual common line, residual interconnection charge, and § 69.156(a) marketing expense revenues permitted under our price cap rules, less the maximum amounts permitted to be recovered through the recovery mechanisms under §§ 69.152, 69.153(c), and 69.156 (b) and (c), divided by the total number of projected non-primary residential and multi-line business subscriber lines in use during such annual period; or~~

~~(ii) $1.50. On July 1, 1999, this amount shall be adjusted by the inflation factor computed under subparagraph (e), and increased by $1.00. On July 1, 2000, and in each subsequent year, this amount shall be adjusted by the inflation factor computed under subparagraph (e), and increased by $1.00.~~

~~(2) If the maximum monthly PICC for non-primary residential subscriber lines is determined using paragraph (d)(1)(i), the maximum monthly PICC for multi-line business subscriber lines shall equal the maximum monthly PICC of non-primary residential subscriber lines. Otherwise, the maximum monthly PICC for multi-line business lines shall be the lower of:~~

~~(i) One twelfth of the projected annual common line, residual interconnection charge, and § 69.156(a) marketing expense revenues permitted under parts 61 and 69 of our rules, less the maximum amounts permitted to be recovered through the recovery mechanisms under §§ 69.152, 69.153(c) and (d)(1), and 69.156 (b) and (c), divided by the total number of projected multi-line business subscriber lines in use during such annual period; or~~

~~(ii) $2.75. On July 1, 1999, this amount shall be adjusted by the inflation factor computed under subparagraph (e), and increased by $1.50. On July 1, 2000, and in each subsequent year, this amount shall be adjusted by the inflation factor computed under subparagraph (e), and increased by $1.50.~~

~~(e) For the PICC ceiling for primary residential subscriber lines and single-line business subscriber lines under subparagraph (c)(2), non-primary residential subscriber lines under subparagraph (d)(1)(ii), and multi-line business subscriber lines under subparagraph (d)(2)(ii):~~

~~(1) On July 1, 1999, the ceiling will be adjusted to reflect inflation as measured by the change in GDP-PI for the 18 months ending March 31, 1999.~~

~~(2) On July 1 of each subsequent year, the ceiling will be adjusted to reflect inflation as measured by the change in GDP-PI for the 12 months ending on March 31 of the year the adjustment is made.~~

~~(3) On July 1 of each subsequent year, the ceiling will be adjusted to reflect inflation as measured by the change in GDP-PI for the 12 months ending on March 31 of the year the adjustment is made.~~

~~(f) (1) Local exchange carriers shall assess no more than one PICC as calculated under the applicable method under paragraph (d)(1) of this section for Basic Rate Interface integrated services digital network (ISDN) service.~~

(d~~2~~) Local exchange carriers shall assess no more than five PICCs as calculated under paragraph (c)~~(d)(2)~~ of this section for Primary Rate Interface ISDN service.

(e~~g~~) The maximum monthly PICC for each Centrex lines shall be one-ninth of the maximum charge determined under paragraph (a)~~(d)(2)~~ of this section except that if a Centrex customer has fewer than nine lines, the maximum monthly PICC for those lines shall be the maximum charge determined under paragraph (a)~~(d)(2)~~ of this section divided by the customer's number of Centrex lines.

~~(2) In the event the monthly loop costs for a multi-line business line, as defined in § 69.152(b)(1), exceed the maximum permitted End User Common Line charge, as set in § 69.152(b)(2), the maximum monthly PICC for a Centrex line determined under paragraph (g)(1) of this section shall be increased by the difference between the monthly loop costs defined in § 69.152(b)(1) and the maximum permitted End User Common Line charge set in § 69.152(b)(2). In no event, however, shall the PICC for a Centrex line exceed the maximum established under paragraph (d)(2) of this section.~~

~~(h) If a local exchange carrier receives low-income universal service support on behalf of a customer under § 54.403(d) of this chapter, then the local exchange carrier shall not recover a residential presubscribed interexchange carrier charge from that end-user customer or its presubscribed interexchange carrier. Any amounts recovered under § 54.403(d) of this chapter by the local exchange carrier shall be treated as if they were recovered through the presubscribed interexchange carrier charge.~~

§ 69.154 Per-minute carrier common line charge.

(a) Local exchange carriers may recover a per-minute carrier common line charge from interexchange carriers, collected on originating access minutes and calculated using the weighting method set forth in paragraph (c) of this section. The maximum such charge shall be the lower of:

(1) The per-minute rate that would recover annual common line revenues permitted less the maximum amounts allowed to be recovered under §§ 69.152 and 69.153; or

(2) The sum of the local switching, carrier common line and interconnection charge charges assessed on originating minutes on December 31, 1997, minus the local switching charges assessed on originating minutes.

(b) To the extent that paragraph (a) of this section does not recover from interexchange carriers all permitted carrier common line revenue, the excess may be collected through a per-minute charge on terminating access calculated using the weighting method set forth in paragraph (c) of this section.

(c) For each Carrier Common Line access element tariff, the premium originating Carrier Common Line charge shall be set at a level that recovers revenues allowed under paragraphs (a) and (b) of this section. The non-premium charges shall be equal to .45 multiplied by the premium charges.

§ 69.155 Per-minute residual interconnection charge.

(a) Local exchange carriers may recover a per-minute residual interconnection charge on originating access. The maximum such charge shall be the lower of:

(1) The per-minute rate that would recover the total annual residual interconnection charge revenues permitted less the portion of the residual interconnection charge allowed to be recovered under § 69.153; or

(2) The sum of the local switching, carrier common line and residual interconnection charges assessed on originating minutes on December 31, 1997, minus the local switching charges assessed on originating minutes, less the maximum amount allowed to be recovered under § 69.154(a).

(b) To the extent that paragraph (a) of this section prohibits a local exchange carrier from recovering all of the residual interconnection charge revenues permitted, the residual may be collected through a per-minute charge on terminating access.

(c) (1) No portion of the charge assessed pursuant to paragraphs (a) or (b) of this section that recovers revenues that the local exchange carrier anticipates will be reassigned to other. facilities-based rate elements, including the tandem-switching rate element described in § 69.111(g), the three-part tandem switched transport rate structure described in § 69.111(a)(2), and port and multiplexer charges described in § 69.111(l), shall be assessed upon minutes utilizing the local exchange carrier's local switching facilities, but not the local exchange carrier's transport service.

(2) If a local exchange carrier cannot recover its full residual interconnection charge revenues through the PICC mechanism established in § 69.153, and will consequently recover a portion of its residual interconnection charge revenues through per-minute charges assessed pursuant to paragraphs (a) and (b) of this section, then the local exchange carrier must allocate its residual interconnection charge revenues subject to the exemption established in paragraph (c)(1) of this section between the PICC and the per-minute residual interconnection charge in the same proportion as other residual interconnection charge revenues are allocated between these two recovery mechanisms.

§ 69.156 Marketing expenses.

(a) Local exchange carriers shall recover marketing expenses that are allocated to the Common Line and Traffic Sensitive baskets, and the switched services within the Trunking basket pursuant to §§ 32.6610 of this chapter and 69.403.

(b) The expenses described in paragraph (a) of this section may be recovered from ~~non-primary residential subscriber lines, by increasing the end user common line charge described in § 69.152(e). The amount of marketing expenses permitted to be recovered in this manner shall be the total marketing expenses described in paragraph (a) of this section divided by the sum of non-primary residential lines and multi-line business lines. In no event shall the end user common line charge for these lines exceed the lower of the ceilings established in § 69.152 (b)(3) and (e)(2)(ii).~~ Primary Residence, Single Line Business, Non-primary Residence and Multi-Line Business subscriber lines, by increasing or decreasing the end user common line charge described in §69.152. The amount of marketing expenses permitted to be recovered in this manner shall be the total marketing expenses described in paragraph (a) of this section divided by the sum of Primary Residence, Single Line Business, Non-primary and Multi-Line business lines. In no event shall the end user common line charge for these lines exceed the ceilings established in §69.152 (d) and (e) and (k).

~~(c) The expenses described in paragraph (a) of this section may be recovered from multi-line business subscriber lines, by increasing the end user common line charge described in § 69.152(b). The amount permitted to be recovered in this manner shall be the total marketing expenses described in paragraph (a) of this section divided by the sum of non-primary residential lines and multi-line business lines. In no event shall the end user common line charge for these lines exceed the ceiling established in § 69.152(b)(3).~~

(c) [Removed and reserved.]

(d) In the event that the ceilings set forth in paragraphs (b) ~~and (c)~~ of this section, and § 69.153(d) prevent a local exchange carrier from recovering fully the marketing expenses described in paragraph (a) of this section, the local exchange carrier may recover the remainder through a per-minute assessment on originating access minutes, so long as the charge for originating access does not exceed the amount defined in § 69.155(a)(2) less the maximum permitted to be recovered under § 69.155(a).

(e) In the event that the ceilings set forth in paragraphs (b)~~, (c)~~ and (d) of this section, and § 69.153(c~~d~~) prevent a local exchange carrier from recovering fully the marketing expenses described in paragraph (a) of this section, the local exchange carrier may recover the remainder through a per-minute assessment on terminating access minutes.

(f) The amount of marketing expenses that may be recovered each year shall be adjusted in accordance with the price cap rules set forth in part 61 of this chapter.

§ 69.157 Line port costs in excess of basic, analog service.

To the extent that the costs of ISDN line ports, and line ports associated with other services, exceed the costs of a line port used for basic, analog service, local exchange carriers may recover the difference through a separate monthly end user charge.

§ 69.158 Universal Service End User Charges

To the extent the company makes contribution to the Universal Service Support Mechanisms pursuant to § 54.706 and § 54.709 the ILEC may recover those contributions through a charge to end users. These contributions are not a part of any price cap baskets, and the charge to recover these contributions is not part of any other element established pursuant to Part 69. Such a charge may be assessed on a per line basis or as a percentage of interstate retail revenues, and at the option of the ILEC it may be combined for billing purposes with other end user retail rate elements. An ILEC opting to assess the USF end user rate element on a per line basis may apply that charge using the "equivalency" relationships established for the multiline business PICC for Primary Rate ISDN service, as per § 69.153(d), and for Centrex lines, per § 69.153(e).

§§ 69.201-69.205 [Removed]

§ 69.206 [Deleted]

§ 69.207 [Deleted]

§ 69.208 [Deleted]

§ 69.209 [Deleted]

§ 69.210 [Added]
[Deleted]

Appendix C

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

In the Matter of	)	
	)	
PRICE CAP PERFORMANCE REVIEW FOR LOCAL EXCHANGE CARRIERS	))	CC Docket No. 94-1
	)	
FEDERAL STATE JOINT BOARD ON UNIVERSAL SERVICE	))	CC Docket No. 96-45
	)	
LOW-VOLUME LONG DISTANCE USERS	)	CC Docket No. 99-249
	)	
ACCESS CHARGE REFORM	)	CC Docket No. 96-262

MEMORANDUM IN SUPPORT OF THE
COALITION FOR AFFORDABLE LOCAL AND LONG DISTANCE SERVICE PLAN

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ATTORNEYS FOR THE COALITION FOR AFFORDABLE LOCAL AND LONG DISTANCE SERVICE (CALLS)

SUMMARY

The Coalition for Affordable Local and Long Distance Service ("CALLS"), comprised of AT&T, Bell Atlantic, BellSouth, GTE, SBC, and Sprint, submits this explanatory memorandum of its proposed plan for interstate access charge and universal service reform. After debating these issues for close to 20 years, the members of the Coalition have come together to propose a plan for the next five years that will promote comparable and affordable universal service, lower long distance bills, and promote competition in rural and residential markets. Today's universal service system, which relies on implicit support from interstate access charges, is inconsistent both with the development of competition in these markets and with the advent of new technologies such as packet switched networks. The end result of this plan will be to promote job creation and economic growth.

The plan has three main, interdependent pillars. First, it establishes a portable universal service fund that will provide explicit support to replace support currently implicit in interstate access charges. Second, the plan simplifies the patchwork of current common line charges into one subscriber line charge ("SLC"), and provides for deaveraging of those charges in a manner that will not undermine comparable and affordable universal service. Third, the plan establishes a "social compact" under which traffic-sensitive switched access rates will fall significantly and then be frozen, on average, at rates that are 50 percent lower than prevail today.

CALLS believes the public interest would benefit significantly if the Commission seized this opportunity to reform today's unsustainable system by adopting the plan before its implementation date of January 2000. These reforms will benefit consumers, and bring the Commission a giant step closer to implementing Congress' vision when it passed the Telecommunications Act of 1996.

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MEMORANDUM IN SUPPORT OF
THE COALITION FOR AFFORDABLE LOCAL AND LONG DISTANCE SERVICE PLAN

I. INTRODUCTION

The members of the Coalition for Affordable Local and Long Distance Service ("CALLS" or "Coalition"), which includes AT&T, Bell Atlantic, BellSouth, GTE, SBC, and Sprint, by letter to the Chairman and Commissioners dated July 29, 1999,[1] submitted an integrated universal service and interstate access reform plan covering price cap incumbent local exchange carriers ("ILECs"). The plan is designed to be implemented in January 2000 and would apply to those carriers electing to participate.[2] All signatory price cap LECs commit to participate if the Commission adopts the plan as submitted. Also attached hereto are preliminary draft proposed rules to implement the plan with respect to the signatory price cap LECs.[3]

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1 Letter from John T. Nakahata, Counsel to CALLS, to Magalie Roman Salas, CC Docket Nos. 96-45, 96-262, 94-1, and 99-249 (filed July 29, 1999). A copy of the proposal, with technical corrections, is attached as Appendix A.

2 The specific implementation date may need to accommodate Y2K implementation, but this need not create a substantial delay.

3 *See*, Appendix B.

Consumers benefit significantly from this plan. First, the plan calls for per minute interstate access charge rates to be slashed in half. These reductions will lead to lower long distance bills. Cutting per minute access prices will also spur innovation and the development of new pricing packages for telecommunications services. Second, through a combination of universal service support and caps on flat-rated charges, rural and urban rates stay within a "fair range" of one another, thereby protecting rural consumers from unaffordable rates. Third, the plan will spur the development of competition in residential and rural markets by creating portable universal service support and allowing for limited deaveraging of rates. Fourth, low income "Lifeline" consumers will see common line charges falling and lower long distance bills. Fifth, urban consumers benefit because the deaveraging provisions of the plan will facilitate lower rates in more populated areas. Finally, consumer bills will be simplified as confusing fees and charges are consolidated.

A. Overview of the Plan

The CALLS plan has three main, interdependent pillars.

First, it establishes an explicit interstate universal service fund that will provide support to replace $650 million of implicit support currently collected through interstate access charges. This support will be portable to competing LECs. It will also be sustainable as new technologies, such as packet-switching, allow more users to avoid paying long distance rates that reflect the implicit support embedded in per minute access charges.[4] The support will ensure that

[4] This universal service support mechanism makes explicit support that currently is implicit in interstate access charges of price cap companies. This mechanism is separate and distinct from the new federal high cost mechanism the Commission currently is developing that will provide federal support for intrastate rates of non-rural carriers. The Commission is in the process of identifying the amount and type of support that is implicit in interstate access charges of price cap companies, and recently sought comment on how interstate access charges should be adjusted once this support has been made explicit. Except with respect to